

PROGRAM NARRATIVE

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Date: 12/17/2008

Time: 11:43:21

Program: PERS**Reporting Level:** 00-192-100-00-00-00-00000000**PROGRAM PERFORMANCE MEASURES**

The agency monitors customer service provided by Blue Cross Blue Shield. Twice a year, BCBS provides performance statistics on their call center and average time to process claims. Performance is monitored to insure there are no unacceptable variances in the level of service provided.

Defined Benefit Retirement Plans. One of the goals of the agency is to provide benefit plans that are competitive and affordable. The agency measures this by comparing the plans administered by NDPERS to other public retirement systems, using a Public Fund Survey prepared by a national organization. This comparison shows that our retirement plans provide a competitive level of benefits at less than average costs.

Health Insurance Plan. One of the goals of the agency is to provide benefit plans that are competitive and affordable. The agency measures this by comparing the health plan administered by NDPERS to other health plans, using various national surveys. This comparison shows that our health plan provides a competitive level of benefits at less than average costs.

PROGRAM STATISTICAL DATA**RETIREMENT:**

Participation in the retirement plans continues to grow. Since last biennium, there was an 8.2% increase in the number of participants in the defined benefit plan and a 4.3% increase in the deferred compensation plan. The number of political subdivisions who participate in the retirement plans is also growing. In 2008, two large employers, the City of Fargo and City of Jamestown, joined the retirement plan. The City of Grand Forks is also joining the retirement plan later this year. There was a 5.2% increase in political subdivisions who participate in the defined benefit plan and a 16.2% increase in the deferred compensation plan. Following are statistics on participation in each of the retirement programs.

PERS Defined Benefit Retirement Plans

(Includes PERS, Highway Patrol, Judges, Law Enforcement and Prior Service Plans)

Active Participants:	25,057
Retired Participants:	6,989
State Agencies:	96
Political Subdivisions:	280

Job Service Retirement Plan

Active Participants:	38
Retired Participants:	219
State Agencies:	1
Political Subdivisions:	Not eligible for this plan

Oasis Retirement Plan

Retired Participants: 1

Defined Contribution Retirement Plan

Active Participants: 292

Inactive Participants: 53

State Agencies: 81

Political Subdivisions: Not eligible for this plan

Deferred Compensation Plan

Active Participants: 6,890

Retired Participants: 1,284

State Agencies: 96

Political Subdivisions: 151

Retiree Health Insurance Credit Plan

Active Participants: 25,057

Retired Participants: 3,948

State Agencies: 96

Political Subdivisions: 280

GROUP INSURANCE:

Participation in the insurance plans continues to grow. Since last biennium, the number of participants in the health insurance plan increased by 3.1%, participation in the life insurance plan increased by 2.1% and participation in the voluntary insurance programs increased by 20.3%. The amount of coverage in force for the life insurance plan increased by 16%. There was a 4.5% increase in the number of political subdivisions who participate in the health insurance program. Following are statistics on participation in each of the insurance programs.

Life Insurance

Active Members: 18,080

Retired Members: 2,972

State Agencies: 96

Political Subdivisions: 76

Coverage in force: \$1.097 billion

Health Insurance

Active Members: 18,696

Retired Members: 6,025

State Agencies: 96

Political Subdivisions: 187

Total Covered Lives: 56060

Voluntary Insurance Programs

(Includes dental, vision and long term care plans)

Active Members:	7,490
Retired Members:	1,935
State Agencies:	96
Political Subdivisions:	Not eligible for these plans

Employee Assistance Program

Active Members:	15,255
Retired Members:	N/A
State Agencies:	96
Political Subdivisions:	Not eligible for this program

FLEXCOMP:

Participation in the medical and dependent care spending accounts continues to remain stable. However, the annual salary reductions have increased by 5.9%. Following are statistics on participation in the FlexComp program.

Medical Spending:	2,607
Dependent Care:	406
Premium conversion:	7,800
State Agencies:	83
Political Subdivisions:	Not eligible for this program
Annual salary reductions exceed \$5.4 million per year	

EXPLANATION OF PROGRAM COSTS

The salaries and wages line item accounts for 67% of the budget request for the agency. This includes funding for 33 FTE.

Operating expenses account for 29% of the budget request. Information technology costs account for 38% of the operating expense line item. All the data bases and programs necessary to perform the administrative functions for the retirement, insurance, deferred comp and retiree health insurance credit programs are maintained on ITD's mainframe. In addition, the agency scans the documents pertaining to the members in these programs and the FlexComp program and is storing them on Filenet - ITD's Electronic Document Management System. Postage, printing, office rent and professional services represent 42% of the operating expense line item. The benefit programs administered by the agency serves over 32,000 active and retired members and over 400 employer groups, therefore, communication is a substantial portion of the printing and postage expenses.

The contingency line item accounts for 4% of the budget request.

All programs administered by the agency are funded through special funds. However, the agency is requesting a general fund appropriation of \$13,000 for the 09-11 biennium to pay benefits for the OASIS retirement program. This includes funding for a benefit increase of 5% for the retirees in this program.

PROGRAM GOALS AND OBJECTIVES

Program Goals and Objectives

RETIREMENT:

Defined Benefit Retirement Plan:

- Enable career employees to care for themselves and their dependents at retirement and to provide a plan that will reduce personnel turnover and encourage career employment to high grade men and women.
- Establish a mechanism to insure that career employees can care for themselves and their dependents in retirement by maintaining the purchasing power of current retirement benefits.
- Improve the desirability of state and political subdivision employment by developing more options on how a member could access, contribute to, supplement, and draw their retirement funds.
- Insure that members will be better able to care for themselves and their dependents in retirement and to improve the desirability of state and political subdivision employment by providing incentives and rewards to members who engage in supplemental retirement savings.

Defined Contribution Retirement Plan:

- Provide an alternate defined contribution retirement plan for non-classified state employees that offers a diversified set of mutual fund options.
- Provide information to each eligible employee in a timely manner.
- Establish investment guidelines for the funds and review their performance on a regular basis.
- Provide the members the opportunity for investment education.

Deferred Compensation Plan:

- Provide a supplemental retirement plan that will allow employees to augment their retirement benefits.
- Establish investment guidelines for the Companion Plan funds and review their performance on a regular basis.
- Provide the members the opportunity for investment education.
- To encourage and enroll all members who are eligible to participate in the plan.

Retiree Health Insurance Credit Program:

- Increase the retiree health insurance credit to reduce the health premium for retiree health insurance coverage.

GROUP INSURANCE:

Life Insurance:

- Provide for a single, understandable and non-discriminatory life insurance plan to members at affordable premiums.
- Supplement the existing life insurance program with other programs.
- Have a premium structure that is the lowest and best available.

Health Insurance:

- Provide understandable options at affordable premiums which protect public employees and their families from excessive medical expense.
- Promote positive competition through PERS or group purchasing initiatives with providers who emphasize and practice the principles of continuous quality improvement.
- Develop and maintain an information database on quality and costs.
- Provide information and assistance in community, legislative and national matters related to health care services.
- Consider modifications and improvements to the benefit plan design that can be accomplished within the constraints of available funding.
- Encourage healthy lifestyles and preventative attitudes in an effective and cost efficient manner.
- To encourage our participating employers to sponsor wellness programs.

Voluntary Insurance Plans (Dental, Vision, Long Term Care):

- Provide state employees and retirees access to affordable dental, vision and long term care premiums that also provide for a reasonable level of coverage.

Employee Assistance Program:

- Provide state employees access to an EAP that effectively responds to employee's needs as well as the needs of the employer.

FLEXCOMP:

- Administer a program that allows state employees to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses and dependent care expenses on a pretax basis.
- Remain budget neutral - the employer FICA savings cover the expenses of administering the program.

REQUEST DETAIL BY PROGRAM**192 PUBLIC EMPLOYEES RETIREMENT SYSTEM****Biennium: 2009-2011****Bill#: HB1023****Date: 12/17/2008****Time: 11:43:21**

Program: PERS		Reporting Level: 00-192-100-00-00-00-00000000			
Description	Expenditures 2005-2007 Biennium	Present Budget 2007-2009	Budget Request Change	Requested Budget 2009-2011 Biennium	Optional Request 2009-2011
SALARIES AND WAGES					
SALARIES - PERMANENT	2,081,261	2,754,775	65,841	2,820,616	0
SALARY BUDGET ADJUSTMENT	0	0	0	0	0
TEMPORARY SALARIES	14,551	10,000	-10,000	0	0
OVERTIME	7,096	700	4,500	5,200	0
FRINGE BENEFITS	721,460	1,010,796	6,668	1,017,464	0
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	2,824,368	3,776,271	67,009	3,843,280	0
SALARIES AND WAGES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	2,824,368	3,776,271	67,009	3,843,280	0
TOTAL	2,824,368	3,776,271	67,009	3,843,280	0
OPERATING EXPENSES					
TRAVEL	57,019	73,100	17,849	90,949	0
SUPPLIES - IT SOFTWARE	17,344	15,400	-1,800	13,600	0
SUPPLY/MATERIAL-PROFESSIONAL	5,524	6,550	262	6,812	0
MISCELLANEOUS SUPPLIES	1,974	1,000	0	1,000	0
OFFICE SUPPLIES	27,357	31,251	1,250	32,501	0
POSTAGE	178,039	205,232	8,209	213,441	0
PRINTING	89,135	85,208	7,669	92,877	0
IT EQUIP UNDER \$5,000	13,165	26,400	10,600	37,000	0
OFFICE EQUIP & FURN SUPPLIES	27,517	31,700	-26,700	5,000	0
INSURANCE	5,561	4,800	0	4,800	0
RENTALS/LEASES-EQUIP & OTHER	54,056	50,000	0	50,000	0
RENTALS/LEASES - BLDG/LAND	178,534	231,668	4,665	236,333	0
REPAIRS	3,956	9,000	0	9,000	0
IT - DATA PROCESSING	351,800	592,581	-262,000	330,581	0
IT-COMMUNICATIONS	43,796	53,631	0	53,631	0
IT CONTRACTUAL SERVICES AND RE	0	9,584,000	-9,384,000	200,000	0
PROFESSIONAL DEVELOPMENT	37,942	43,916	2,196	46,112	0

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OPERATING FEES AND SERVICES	35,778	51,159	38,046	89,205	0
FEES - PROFESSIONAL SERVICES	87,242	150,423	-3,266	147,157	0
IT EQUIP/SFTWARE OVER \$5000	5,540	0	0	0	0
TOTAL	1,221,279	11,247,019	-9,587,020	1,659,999	0
OPERATING EXPENSES					
GENERAL FUND	0	0	13,000	13,000	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	1,221,279	11,247,019	-9,600,020	1,646,999	0
TOTAL	1,221,279	11,247,019	-9,587,020	1,659,999	0
SPECIAL LINES					
CONTINGENCY	0	250,000	0	250,000	0
TOTAL	0	250,000	0	250,000	0
SPECIAL LINES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	250,000	0	250,000	0
TOTAL	0	250,000	0	250,000	0
PROGRAM FUNDING SOURCES					
GENERAL FUND	0	0	13,000	13,000	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	4,045,647	15,273,290	-9,533,011	5,740,279	0
PROGRAM FUNDING TOTAL	4,045,647	15,273,290	-9,520,011	5,753,279	0
FTE EMPLOYEES	29.00	33.00	.00	33.00	.00
FUNDING DETAIL					
GENERAL FUND	0	0	13,000	13,000	0
SPECIAL FUNDS					
483 PUBLIC EMPLOYEE RETIREMENT SYS 483	4,045,647	15,273,290	-9,533,011	5,740,279	0
TOTAL	4,045,647	15,273,290	-9,533,011	5,740,279	0

CHANGE PACKAGE DETAIL**192 PUBLIC EMPLOYEES RETIREMENT SYSTEM**
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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds

AGENCY BUDGET CHANGES**Cost To Continue**

Cost To Continue	.00	0	0	67,009	67,009
Total Cost to Continue	.00	0	0	67,009	67,009

Base Budget Changes**Other Budget Changes**

A-A 1 General operating expense	.00	0	0	63,880	63,880
A-A 2 Oasis	.00	13,000	0	0	13,000
A-A 3 Miscellaneous	.00	0	0	-26,700	-26,700
A-A 4 IT plan changes	.00	0	0	-40,200	-40,200
A-E 1 Remove one time expenditures	.00	0	0	-9,597,000	-9,597,000
Total Other Budget Changes	.00	13,000	0	-9,600,020	-9,587,020
Total Base Budget Changes	.00	13,000	0	-9,600,020	-9,587,020